

Message Text

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SUBJECT: ACE MOBILE FORCES (AMF) EXERCISE ATLAS EXPRESS,
1976 - AIRLIFT CHARTER RATES FOR US AIRCRAFT

REFS: (A) MBC-M(77)77, (B) MBC-R(77)9, (C) MBC-R(75)32,

(D) MBC-R(75)30

SUMMARY. ONLY THE US MILITARY AIR COMMAND (MAC), AMONG
NATIONAL SERVICES PROVIDING AIR TRANSPORT FOR HQS
AMF(L), INCLUDES INTEREST AND DEPRECIATION CHARGES IN
CHARTER RATES. MILITARY BUDGET COMMITTEE REJECTS
INCLUSION OF SUCH CHARGES IN TARIFF RATES RELATED TO
NATO AMF EXERCISES. THIS MESSAGE REQUESTS STATUS OF
EFFORT TO AMEND PRICING GUIDANCE. END SUMMARY.

1. THE MILITARY BUDGET COMMITTEE (MBC) REJECTED
INITIALLY AND CONTINUES TO REJECT THE INCLUSION OF
INTEREST AND DEPRECIATION IN MILITARY AIR COMMAND (MAC)
CHARTER RATES. SHAPE RECENTLY SOUGHT MBC APPROVAL OF
ATLAS EXPRESS 76 - AMF EXERCISE BILLING FOR AIRLIFT
COST FOR US AIRCRAFT CHARTER (REF A). THE BILLING
RATE SUBMITTED TO THE COMMITTEE INCLUDES INTEREST AND
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DEPRECIATION CHARGES. AMONG THOSE NATIONS WHICH
NORMALLY PROVIDE AIR TRANSPORT FOR HQS AMF(L), ONLY THE
US HAS INCLUDED THESE CHARGES.

2. IN 1975, DURING COMMITTEE DISCUSSION OF SPECIAL
MISSION AIRCRAFT CHARTER FOR HQS AAFCE, THE COMMITTEE,
AT THE INSTIGATION OF THE UK (LANGHAM) AND FRG (JAECKS)

REPRESENTATIVES, REFUSED IN PRINCIPLE TO ACCEPT AMORTIZATION AND/OR INTEREST COSTS IN THE CHARTER RATES.

3. DURING RECENT COMMITTEE DISCUSSION OF AMF EXERCISE ATLAS EXPRESS, 1976 AIRLIFT COSTS FOR US AIRCRAFT CHARTER (REF A), THE AFCENT REPRESENTATIVE RECALLED THE 1975 CIRCUMSTANCES (ABOVE) AND RECOUNTED THE NEGOTIATIONS WITH MAC REGARDING THE 1976 CHARTER RATES TO THE EFFECT THAT AFCENT HAD QUESTIONED THE INCREASED RATES (IN PARTICULAR, THE INCLUSION OF INTEREST AND DEPRECIATION) AND REMARKED THAT OF ALL THE NATIONS WHICH NORMALLY PROVIDE AIR TRANSPORT FOR HQS AMF(L), NONE HAD HAD THE RESOURCES AVAILABLE AT SHORT NOTICE AND, CONSEQUENTLY, MAC SERVICES HAD TO BE ACCEPTED.

4. THE US REPRESENTATIVE MADE CLEAR TO THE COMMITTEE MEMBERS IN APRIL THAT HQS MAC MUST BILL IN ACCORDANCE WITH CURRENT US DEPARTMENT OF DEFENSE PRICING DIRECTIVES. THE UK (ASH), NETHERLANDS (HAGEMAN), AND CANADIAN (ALARIE) REPRESENTATIVES EXPRESSED CONCERN OVER THE PRECEDENT BEING ESTABLISHED. THE UK REPRESENTATIVE BELIEVED THE MATTER SHOULD BE BROUGHT TO THE ATTENTION OF THE SYG.

5. US AIRLIFT CHARTER RATES ARE AGAIN ON MBC AGENDA FOR 8 JUNE. IN VIEW OF LIKELY CHALLENGE TO US MEMBER, REQUEST ADVICE AS TO STATUS OF PROGRESS IN OSD (I&L) TOWARD AMENDING THE PRICING COMPOSITION OF MAC CHARTER RATES AS APPLIED TO NATO EXERCISES. STREATOR
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